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Special Report

Survey of State Taxes and Rates

by Paul G. Merski and Gregory S. Leong

As state tax rates continue to climb in 1990, so do tax collections. State tax revenues jumped nearly $20 billion in fiscal year 1989, a 7.5 percent increase over the previous year's take. Their total was a record high $284 billion, compared to fiscal year 1988's level of $264.1 billion. Rate hikes on sales, gasoline, and corporate and personal income have contributed to new revenue highs for the last several years.

In FY'89 general sales taxes produced more revenue for the states than any other single source (see Figure 1). They provided 32.9 percent of total collections, or $93.4 billion, up 7.3 percent from last year.

Collections from personal and corporate income taxes gathered in the next largest loads of revenue, totaling $112.6 billion, nearly 40 percent of total collections. The personal income tax component of this haul showed a prodigious increase of 10.7 percent and garnered almost as much revenue as general sales, $88.7 billion. This 10.7 percent increase was the largest of all state revenue sources, and it brought in a whopping $8.6 billion more than was collected in FY'88. Rising almost as quickly are corporate income tax collections. These increased 10.4 per-

Figure 1
State Tax Revenues
Percent by Type of Tax
Fiscal Year 1989

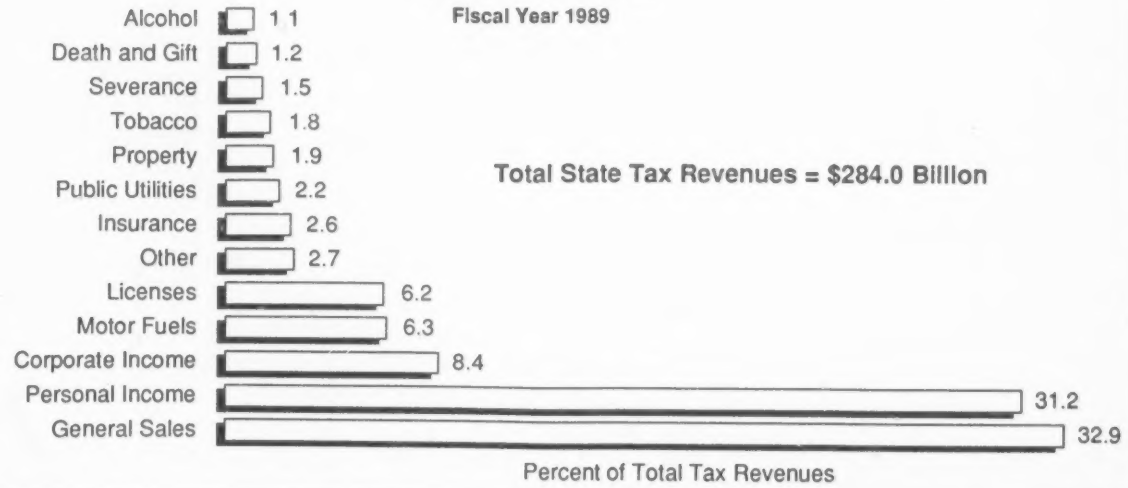

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Table 1

State Individual Tax Collections Per $1,000 in Personal Income and Per Capita

Fiscal Year 1989

State	Per $1,000 of Income	Rank	Per Capita (a)	Personal Income (b) ($Millions)	Individual Tax Revenue (c) ($Millions)
Total	$57.55	-	$1,010.15	$4,346,764	$250,153.4
Alabama	57.45	27	785.90	56,332	3,236.3
Alaska	18.40	50	389.47	11,153	205.3
Arizona	67.85	8	1,077.55	56,476	3,831.8
Arkansas	64.34	15	835.33	31,235	2,009.8
California	62.19	20	1,227.68	573,704	35,680.0
Colorado	46.26	46	809.34	58,027	2,684.6
Connecticut	49.79	42	1,224.76	79,662	3,967.0
Delaware	52.51	34	1,003.59	12,863	675.4
Florida	51.19	38	905.75	224,204	11,476.8
Georgia	55.37	29	896.26	104,185	5,768.3
Hawaii	103.99	1	1,903.74	20,358	2,117.0
Idaho	66.23	11	911.45	13,954	924.2
Illinois	47.95	44	904.22	219,837	10,541.4
Indiana	62.52	19	1,000.54	89,513	5,596.0
Iowa	66.20	12	1,027.64	44,083	2,918.5
Kansas	53.68	32	868.51	40,658	2,182.6
Kentucky	67.02	9	923.19	51,342	3,440.7
Louisiana	50.99	41	664.93	57,142	2,913.7
Maine	73.89	5	1,205.34	19,935	1,472.9
Maryland	58.62	25	1,232.20	98,664	5,783.9
Massachusetts	59.58	23	1,322.43	131,245	7,819.5
Michigan	55.64	28	987.36	164,551	9,155.7
Minnesota	75.44	3	1,338.87	77,252	5,828.1
Mississippi	65.73	14	777.93	31,022	2,039.0
Missouri	51.12	40	840.04	84,771	4,333.8
Montana	51.57	37	714.05	11,159	575.5
Nebraska	54.19	30	832.49	24,747	1,341.1
Nevada	63.19	18	1,189.33	20,912	1,321.3
New Hampshire	19.62	49	397.43	22,423	440.0
New Jersey	48.92	43	1,162.42	183,833	8,992.5
New Mexico	76.64	2	1,010.97	20,156	1,544.8
New York	66.16	13	1,358.98	368,700	24,393.7
North Carolina	63.98	16	973.70	100,010	6,398.2
North Dakota	60.62	22	803.99	6,753	530.6
Ohio	53.93	31	889.86	179,953	9,705.7
Oklahoma	60.64	21	858.13	45,626	2,766.6
Oregon	52.27	35	825.06	44,514	2,326.7
Pennsylvania	51.17	39	891.47	209,750	10,733.3
Rhode Island	59.32	24	1,071.61	18,030	1,069.5
South Carolina	71.89	7	978.81	47,816	3,437.6
South Dakota	44.94	48	595.15	9,468	425.5
Tennessee	47.77	45	705.30	72,937	3,484.2
Texas	45.22	47	700.14	263,071	11,896.1
Utah	58.06	26	756.35	22,239	1,291.1
Vermont	63.35	17	1,039.02	9,299	589.1
Virginia	53.58	33	1,016.33	115,671	6,197.6
Washington	75.41	4	1,330.07	83,979	6,332.5
West Virginia	66.53	10	833.37	23,263	1,547.6
Wisconsin	71.89	6	1,204.76	81,560	5,863.6
Wyoming	51.70	36	730.04	6,707	346.8
Exhibit: District of Columbia	146.20	-	3,426.73	14,157	2,069.7

(a) Population as of July 1, 1989.
(b) Personal income is the sum of private and government wage and salary disbursements, farm and nonfarm, rental, dividend, and interest income, and transfer payments less personal contributions for social insurance. Personal income data as of the end of calendar year 1989.
(c) Individual tax collections computed from total tax revenues less revenues from corporate income tax, severance tax, corporate license tax, and occupation and business license tax.
Source: U.S. Department of Commerce, Bureau of the Census, Bureau of Economic Analysis, and Tax Foundation computations.

cent over FY'88, finishing third to general sales and personal income tax on the list of states' favorite revenue sources.

Individual Taxes Per $1,000

Since states derive their revenue through a variety of taxes, it is useful to calculate how much the individual taxpayer absorbs, beyond what he pays in personal income taxes. Effectively, consumers provided 88 percent of the total state tax revenue in FY'89, primarily through payment of personal income, sales, motor fuels, property, licenses, insurance, tobacco and alcohol taxes.

Taxpayers paid a national average of $57.55 in state level individual taxes per $1,000 of personal income in FY'89 (see Table 1). The average effective rate, therefore, of taxes on individuals per $1,000 of personal income is 5.76 percent. More than half of the states surpassed this national average rate (see Figure 2). Hawaii led the nation with an effective rate of 10.4 percent. On the low end of the scale, taxpayers in Alaska paid 1.8 percent of their income in individual taxes. The ten states with the highest individual taxes as a percentage of personal income are:

1)	Hawaii	10.4	6)	Wisconsin	7.2
2)	New Mexico	7.7	7)	South Carolina	7.2
3)	Minnesota	7.5	8)	Arizona	6.8
4)	Washington	7.5	9)	Kentucky	6.7
5)	Maine	7.4	10)	West Virginia	6.7

The lowest burdens will be carried by:

41)	Louisiana	5.1	46)	Colorado	4.6
42)	Connecticut	5.0	47)	Texas	4.5
43)	New Jersey	4.9	48)	South Dakota	4.5
44)	Illinois	4.8	49)	New Hampshire	2.0
45)	Tennessee	4.8	50)	Alaska	1.8

Total Taxes Per $1,000

When receipts from corporation income, severance, and business licenses are added to the individual tax collections discussed above, the result is total state tax collections of $284 billion in

FY'89. Using these total collection data, the national per capita average is $65.35 per $1,000 of personal income earned. Alaskans paid the most, $126.40 in state level taxes per $1,000, for a 12.6 percent tax rate. Hawaii (10.9 percent), New Mexico (9.4 percent), and Delaware (8.8 percent) paid the three next highest rates. New Hampshire showed the lowest rate, 2.7 percent. South Dakota (4.9 percent), Colorado (5.0 percent) and Texas (5.3 percent) were the three next lowest (see Table 2).

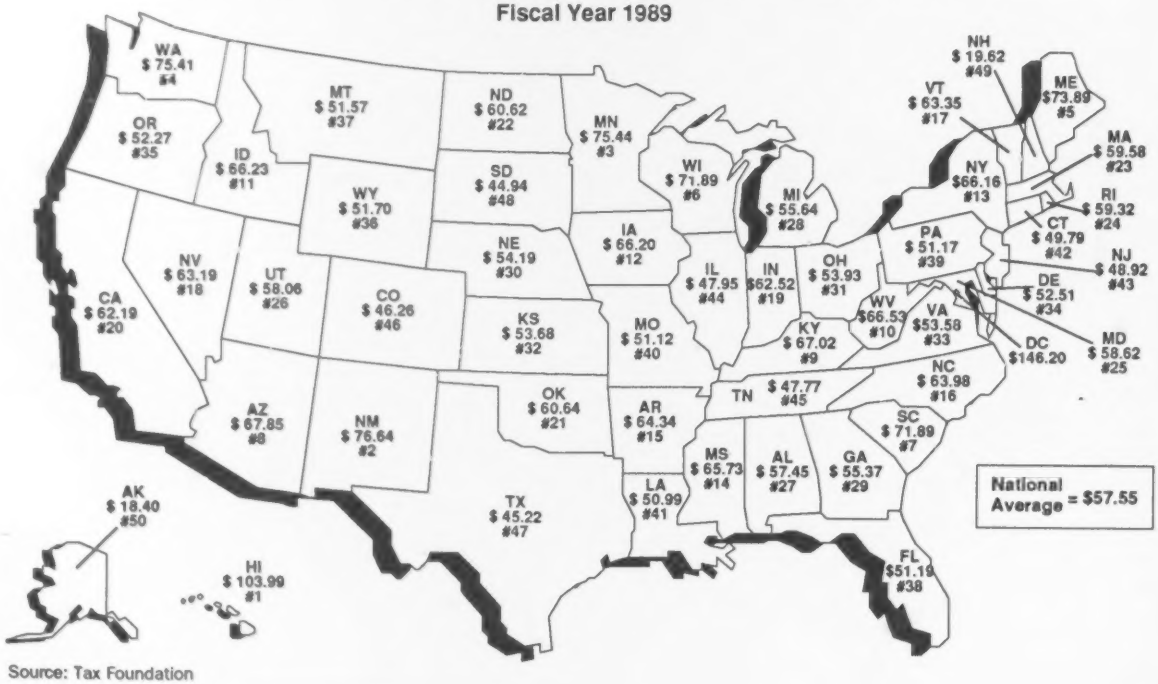
Total Taxes Per Capita

The national average of states' per capita total tax collections in FY'89 was $1,147.00. Just as Alaska topped the ranks of the tax rates based on total tax revenues, it was also highest in per capita ratings, with Alaskans paying $2,674.95. Other high per capita states were Hawaii ($1,993.74), Delaware ($1,679.34), Massachusetts ($1,534.13) and Connecticut ($1,484.55). On the lower end of the scale, taxpayers in New Hampshire paid the lowest per capita amount of $553.96, followed by South Dakota ($654.94), Texas ($822.46), Tennessee ($823.17), and Utah ($831.82).

Tax Revenue Trend 1979 - 1989

Increased spending for Medicaid, corrections, and education, along with a slowdown in many state economies, has strained state budgets, leading to increased taxes. In FY'89, ten out of thirteen major sources of tax receipts have increased, led by personal income, corporate income and property tax. Over the past decade, state tax

Figure 2
State Individual Tax Collections Per $1,000 in Personal Income
Fiscal Year 1989



Source: Tax Foundation

Table 2

Total State Tax Collections Per $1,000 in Personal Income and Per Capita*

Fiscal Year 1989

State	Per $1,000 of Income	Rank	Per Capita (a)	Personal Income ($Millions)	Total Tax Revenue ($Millions)
Total	$65.35	-	$1,147.00	$4,346,764	$284,042.2
Alabama	55.02	29	889.40	56,332	3,662.6
Alaska	126.40	1	2,674.95	11,153	1,409.7
Arizona	71.90	19	1,141.90	56,476	4,060.6
Arkansas	69.55	22	902.94	31,235	2,172.5
California	71.84	20	1,418.08	573,704	41,213.8
Colorado	50.04	48	875.44	58,027	2,903.8
Connecticut	60.35	36	1,484.55	79,682	4,808.5
Delaware	87.86	4	1,679.34	12,863	1,130.2
Florida	55.55	44	983.00	224,204	12,455.6
Georgia	60.92	35	986.20	104,185	6,347.2
Hawaii	108.90	2	1,993.74	20,358	2,217.0
Idaho	72.45	17	996.96	13,954	1,010.9
Illinois	53.50	46	1,008.80	219,837	11,760.6
Indiana	65.94	27	1,055.35	89,513	5,902.6
Iowa	71.64	21	1,112.04	44,083	3,158.2
Kansas	61.40	34	993.37	40,658	2,496.3
Kentucky	78.65	9	1,083.43	51,342	4,037.9
Louisiana	69.46	23	905.79	57,142	3,969.2
Maine	79.78	8	1,301.49	19,935	1,590.4
Maryland	62.80	33	1,319.98	98,664	6,196.0
Massachusetts	69.12	24	1,534.13	131,245	9,071.3
Michigan	67.60	26	1,199.62	164,551	11,124.1
Minnesota	82.82	6	1,469.79	77,252	6,398.0
Mississippi	74.52	14	882.03	31,022	2,311.8
Missouri	55.27	45	908.19	84,771	4,685.4
Montana	65.24	28	903.19	11,159	728.0
Nebraska	58.59	39	900.06	24,747	1,450.0
Nevada	64.07	31	1,206.01	20,912	1,339.9
New Hampshire	27.35	50	553.96	22,423	613.2
New Jersey	57.12	42	1,357.47	183,833	10,501.4
New Mexico	93.79	3	1,237.19	20,156	1,890.4
New York	72.08	18	1,480.57	368,700	26,576.2
North Carolina	73.69	15	1,121.50	100,010	7,369.4
North Dakota	75.95	13	1,007.29	8,753	664.8
Ohio	60.10	38	991.51	179,953	10,814.4
Oklahoma	72.60	16	1,027.41	45,626	3,312.4
Oregon	58.10	40	917.11	44,514	2,586.3
Pennsylvania	60.21	37	1,048.90	209,750	12,628.7
Rhode Island	64.29	30	1,161.44	18,030	1,159.1
South Carolina	77.72	11	1,058.20	47,816	3,716.4
South Dakota	49.46	49	654.94	9,468	468.3
Tennessee	55.75	43	823.17	72,937	4,066.5
Texas	53.12	47	822.45	263,071	13,974.4
Utah	63.85	32	831.82	22,239	1,419.9
Vermont	68.23	25	1,118.98	9,299	634.5
Virginia	57.24	41	1,085.77	115,671	6,621.0
Washington	77.53	12	1,367.49	83,979	6,510.6
West Virginia	82.23	7	1,030.08	23,263	1,912.9
Wisconsin	78.56	10	1,316.56	81,560	6,407.7
Wyoming	86.77	5	1,225.20	6,707	582.0
Exhibit: District of Columbia	158.45	-	3,713.77	14,157	2,243.1

* It should not be inferred that all tax revenue obtained within each state comes directly out of the personal income of its residents. For more detailed analysis, see two other Tax Foundation Special Reports, *Tax Freedom Day by State* and *Federal Tax Burden by State.*

(a) Population as of July 1, 1989.

Source: U.S. Department of Commerce, Bureau of the Census, Bureau of Economic Analysis, and Tax Foundation computations.

revenues have increased 127.4 percent. Revenue from personal income taxes has led this surge with a 172.2 percent increase. Table 3 (see page 5) provides a historical perspective on tax collections by type.

State Tax Rates

Increased tax rates appear to be one of the major determinants of the trend toward higher tax revenues. For FY'91, tax rates have increased significantly in sales, gasoline, and corporate and personal income. (See Table 4 on page 6 for current rates.)

Sales Tax

More than ten states have increased their general sales tax rates. Overall, general sales taxes generate the most revenue for states. They provided $93.4 billion in revenue, 32.9 percent of the total revenue for the states. Connecticut still leads the nation with an 8 percent sales and use tax, followed closely by New Jersey and Rhode Island (7 percent), Washington (6.5 percent) and Illinois and Texas (6.25 percent). On the opposite end of the scale, Colorado, North Carolina, and Wyoming levy a 3 percent sales tax. No state general sales tax is imposed in Alaska, Delaware, Montana, New Hampshire, and Oregon.

Income Tax

Nine states increased their personal income tax rates for FY'91. New Jersey recently imposed the most notable increase in individual income tax rates by raising the top rate from 3.5 percent to 7 percent. The tax rate schedules are progressive in all but six of the 43 states that levy a broad-based personal income tax. Colorado, Illinois, Indiana, Massachusetts, Michigan, and Pennsylvania apply a flat tax rate regardless of income level. In Rhode Island and Vermont, income taxes are levied as a percentage of federal

individual income tax obligations.

Corporate income tax proved to be another major revenue raiser for the states, yielding $23.9 billion in FY'89. Currently, the maximum corporate rate is highest in Iowa (6 to 12 percent), Connecticut (11.5 percent), North Dakota (3 to 10.5 percent), Massachusetts (9.5 percent), and Alaska (9.1 to 9.4 percent). (This ranking omits several states which have higher income tax rates but allow for deductions.) Five states dispense with both the corporate and individual income taxes: Nevada, South Dakota, Texas, Washington, and Wyoming. Florida and Alaska levy a tax on corporations but not on individuals.

Motor Fuels Tax

Taxes on motor fuels contributed 6.3 percent to total tax receipts. Gasoline taxes are currently the highest in Hawaii (where combined state-local rates range from 19.8 to 27.5 cents per gallon), Connecticut and Washington (22 cents) and Nebraska (21.9 cents). Florida levies the lowest rate, 4 cents per gallon; however, gasoline is also subject to a 6.9 general sales tax. New York and Alaska follow closely with an 8 cent rate.

Cigarette Tax

Cigarette taxes also make a notable contribution to state tax revenues. In FY'89 states collected $5 billion of their total revenues from tobacco product excises. Texas tops the ranks with a 41 cent rate per pack of twenty cigarettes, followed by Connecticut and New Jersey (40 cents). North Carolina levies the lowest rate at 2 cents.

State Tax Burden Outlook

Many state legislatures will be plagued by severe budgetary pressures in 1991. They will have to do battle with rising costs and spending for Medicaid, education, and corrections which continue to outpace the growth rate in general state revenue. Of course, any slowdown in the national economy will cause further deterioration in state finances. These alarming trends do not bode well for the possibility of a decline in the states' tax burden in the 1990s.

Table 3

State Government Tax Collections by Type

Fiscal Years 1979-1989

($Billions)

Type of Tax	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Percent Change 79-89	Percent Change 88-89
Total	$124.9	$137.1	$149.8	$162.6	$171.5	$196.9	$215.9	$228.1	$246.5	$264.1	$284.0	127.4%	7.5%
General Sales	39.6	43.2	46.4	50.4	53.6	62.6	69.6	74.8	79.2	87.1	93.4	136.1	7.3
Personal Income	32.6	37.1	40.9	45.7	49.8	59.0	63.9	67.4	76.2	80.1	88.7	172.2	10.7
Corporate Income	12.1	13.3	14.1	14.0	13.2	15.5	17.6	18.4	20.5	21.6	23.9	96.8	10.4
Motor Fuels	10.0	9.7	9.7	10.5	10.8	12.4	13.3	14.1	15.7	17.2	18.0	80.7	4.8
Licenses	8.2	8.7	9.5	10.1	10.7	12.0	13.8	14.9	15.9	17.0	17.7	114.8	3.9
Other	3.2	3.2	3.4	3.7	3.9	5.2	6.0	6.4	7.1	7.4	7.7	142.3	4.4
Insurance	2.9	3.1	3.3	3.5	3.9	4.1	4.5	5.5	6.3	6.9	7.3	149.9	6.3
Public Utilities	2.9	3.4	4.3	4.9	5.7	5.9	6.2	6.0	6.0	6.2	6.1	108.2	-1.1
Property	2.5	2.9	2.9	3.1	3.3	3.9	4.0	4.4	4.7	5.0	5.4	117.4	7.9
Tobacco	3.6	3.7	3.9	4.0	4.0	3.9	4.4	4.5	4.6	4.8	5.0	38.4	4.1
Severance	2.9	4.2	6.4	7.8	7.4	7.2	7.2	6.1	4.0	4.3	4.1	45.5	-4.2
Death and Gift	2.0	2.0	2.2	2.4	2.5	2.2	2.3	2.5	3.0	3.2	3.5	76.6	7.6
Alcohol	2.4	2.5	2.6	2.7	2.7	2.9	3.0	3.1	3.1	3.2	3.1	29.8	-2.3

Source: Department of Commerce, Bureau of the Census; and Tax Foundation.

Table 4
Major State Taxes and Rates
as of July 15, 1990

State	Income Taxes: Corporate	Income Taxes: Individual	General Sales and Use Tax	Gasoline Tax (per gallon)	Cigarette Tax (per pack of 20)	Property Tax
Alabama	5% (F)	2 to 5% (F)	4% (a)	11 cents	16.5 cents	X
Arizona	9.3 (F)	3.8 to 7 (F)	5 (a)	17 (b)	15 (b)	X
Arkansas	1 to 6	1 to 7	4 (a)	13.5	21	X
California	9.3 (c)	1 to 9.3 (c)	5 (a, d)	9 (b)	35	X
Colorado	5 to 5.3 (d)	5 (c)	3 (a)	20 (b)	20	X
Connecticut	11.5 (e, f)	1 to 14 (g)	8	22 (b)	40	X
District of Columbia	10 (f)	6 to 9.5	6	18	17	X
Georgia	6	1 to 6	4 (a)	7.5 + 3% of retail	12	X
Hawaii	4.4 to 6.4	2 to 10	4 (a)	19.8 to 27.5	40% of wholesale	
Idaho	8	2 to 8.2	5	18	18	X
Illinois	4.8 (h)	3	6.25 (a)	19	30	X
Indiana	3.4 (i)	3.4	5	15	15.5	X
Iowa	6 to 12 (F, j)	.4 to 9.98 (F,c)	4 (a)	20	31	
Kansas	4.5 (f)	3.65 to 8.75 (k)	4.25 (a)	16 (b)	24	X
Kentucky	3 to 7.25	2 to 6 (F)	6 (a)	15 (i)	3	X
Louisiana	4 to 8 (F)	2 to 6 (F)	4 (a)	20	16	X
Maine	3.5 to 8.93	2 to 8.5	5	17	31 (b)	X
Maryland	7	2 to 5	5	18.5	13	X
Massachusetts	9.5 (m)	5.95 (n)	5	17 (b)	26	X
Michigan	2.35	4.6	4	15	25	X
Minnesota	9.5 (b, c)	6 to 8.5 (o)	6 (a)	20	38	X
Mississippi	3 to 5	3 to 5	6	18 (d)	18	X
Missouri	5 to 6.5 (F, e)	1.5 to 6 (F)	4.225 (a, d)	11	13	X
Nebraska	5.17 to 7.24 (b)	2 to 5.9 (b)	5 (a)	21.9 (l)	27	X
New Jersey	9 (f)	2 to 7	7	10.5	40	X
New Mexico	4.8 to 7.6	1.8 to 8.5	5	16	15	X
New York	9 (c, f)	4 to 7.875 (d, p)	4 (a)	8	39	
North Carolina	7	6 to 7	3 (a)	21.5	2	X
North Dakota	3 to 10.5 (F, c)	2.67 to 12 (F, q)	5	17	30 (d)	X
Ohio	5.1 to 8.9	.743 to 6.9	5 (a)	20	18	X
Oklahoma	6	.5 to 10 (F, k)	4.5 (a)	16	23	
Pennsylvania	8.5	2.1	6 (a)	12	18	X
Rhode Island	9	22.96% of mod. Fed. Inc. tax	7 (d)	20 (l)	37	X
South Carolina	5	3 to 7 (d)	5 (a)	16	7	X
Tennessee	6	6 (g)	5.5 (a)	20	13	
Utah	5	2.55 to 7.2 (F)	5 (a)	19	23	X
Vermont	5.5 to 8.25	28% of Fed. Inc. tax (d)	4	15 (d)	17	X
Virginia	6	2 to 5.75	3.5 (a)	17.5	2.5	X
West Virginia	9.3 (d)	3 to 6.5 (c)	6	15.5	17	X
Wisconsin	7.9	4.9 to 6.93	5 (a)	21.5 (l)	30 (e)	X
Florida	5.5 (c)		6 (a)	4 (r)	33.9	X
Nevada	These 5 states	These 7 states	5.75 (a)	18	35 (d)	X
South Dakota	have no	have no	4 (a)	18	23	
Texas	corporate	individual	6.25 (a)	15	41	
Washington	income tax	income tax	6.5 (a)	22 (b, l)	34 (d)	X
Wyoming			3 (a)	9 (l)	12	X
Alaska	1 to 9.4		These	8	29	X
Delaware	8.7	3.2 to 7.7 (F)	5 states	16 (b)	14 (b)	
Montana	6.75 (f, s)	2 to 11 (F)	have no	20	18	X
New Hampshire	8	5 (g)	general	16	25	X
Oregon	6.6	5 to 9 (F)	sales tax	18 (b)	28	X

(X) Indicates state levies a property tax.
(F) Allows federal income tax as a deduction.
(a) Local taxes are additional.
(b) Future increases scheduled under current law.
(c) Alternative minimum tax is imposed.
(d) Future reductions scheduled under current law.
(e) Alternative methods of calculation may be required.
(f) Corporate surtax is imposed, Connecticut - 20%, District of Columbia - 5%, Kansas - 2.25%, New Jersey - .375%, New York - 15%, Montana - 5%.
(g) In Connecticut, New Hampshire, and Tennessee, rates apply to income from dividends and interest. Capital gains are taxed at 7% in Connecticut.
(h) Additional 2.5% personal property replacement tax imposed.
(i) A supplemental net income tax is imposed at 4.5%.
(j) Franchise tax is 5% of taxable net income.
(k) In Kansas and Oklahoma, the higher rates apply to taxpayers deducting Federal income tax.
(l) Tax rate is periodically adjusted administratively.
(m) Excise tax is imposed equal to the greater of $456.
(n) Tax of 12% on income derived from interest, dividends, and capital gains.
(o) Additional tax is imposed on income over specified levels, varying with filing status.
(p) Qualified taxpayers may elect to pay alternative taxes at varying rates.
(q) Optional tax of 14% of taxpayers federal income tax liability.
(r) In addition, Florida imposes a 6.9 cent sales tax on gasoline.
(s) 7% rate for corporations using water's edge apportionment.

Source: Compiled by Tax Foundation from survey of state revenue offices and data reported by Commerce Clearing House through June 15, 1990.

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